

Message Text

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E.O. 11652: GDS

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SUBJ: ECONOMIC ASPECTS OF BAHR VISIT

REF: 1) MOSCOW 1167; 2) MOSCOW 3225

1. FRG MINISTER EGON BAHR, AMBASSADOR SAHM, MINISTER-COUNSELOR BERNINGER AND FIRST SECRETARY VON MILTKE HAVE PROVIDED FOLLOWING SURVEY OF ECONOMIC QUESTIONS BROUGHT UP DURING BAHR VISIT TO MOSCOW.

2. BAHR CAME WITH SPECIAL INSTRUCTIONS FROM CHANCELLOR BRANDT TO SEE WHAT COULD BE DONE TO STRENGTHEN SOVIET-FRG ECONOMIC/COMMERCIAL TIES AS A MEANS FOR UNDERPINNING OSTPOLITIK. DURING TWO ONE-AND-ONE-HALF HOUR APPOINTMENTS WITH VLADIMIR N. NOVIKOV, PRESIDUM FOREIGN ECONOMIC AFFAIRS CHIEF, AND ONE SIMILAR SESSION WITH CHEMICAL INDUSTRY MINISTER LEONID A. KOSTANDOV CONVERSATIONS FOCUSED ON NEW "MODELS" OF COOPERATION, INCLUDING POSSIBLE JOINT PORJECTS TO BE CARRIED OUT IN THIRD COUNTRIES, FRG PARTICIPATION IN DEVELOPMENT OF SOVIET TIMBER, CELLULOSE AND PULP MANUFACTURING/PROCESSING FACILITIES, FRG PROPOSAL FOR CONSTRUCTION OF KURSK IRON/STEEL COMPLEX, JOINT FRG/SOVIET EFFORT TO DEVELOP SOVIET PETROLEUM AND GAS DEPOSITS, FRG CONSTRUCTION OF ATOMIC POWER PLANTS IN URALS, FRG CONSTRUCTION OF AMMONIA AND METHANOL PLANTS IN USSR(WITH REPAYMENT IN PLANT OFFTAKE OVER EXTENDED PERIOD). EXCEPTING DISCUSSION OF KURSK PROJECT, TALKS CONSTITUTED
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FISHING EXPEDITION ON BAHR'S PART. SOVIET RESPONSE WAS GEN-

ERALLY NON-COMMITTAL WITH ASSURANCES THAT AFTER CONSIDERATION
POSSIBILITIES WOULD BE TAKEN UP AT NEXT SESSION OF JOINT FRG-
SOVIET ECONOMIC COMMISSION SCHEDULED FOR OCTOBER 1974
(NOVIKOV CHAIRS SOVIET SECTION OF COMMISSION).

3. DISCUSSING KURSK COMPLEX, BAHR REITERATED HIGH FRG
DOMESTIC INTEREST RATES AS BAR TO SUBSIDIZED FINANCING AND
NOVIKOV ACCEPTED THIS EXPLANATION WITHOUT COMMENT. BAHR
AIDES FOUND SOVIETS UNCONVINCED AND POINTED OUT AT LENGTH
DOMESTIC POLITICAL PROBLEM WHICH WOULD ARISE IN FRG FROM
CONCEDING DISCRIMINATORY FINANCING TO USSR AT TIME WHEN
FRG IS MAKING STRONG EFFORT TO REDUCE INFLATION AT HOME.
SOVIETS ARGUED THAT USSR CAN OBTAIN BETTER FINANCING TERMS
FROM FRENCH, ITALIANS AND AMERICANS.

4. SOVIET RESPONSE TO BAHR PROPOSAL ON JOINT PETROLEUM/GAS
PROJECTS SEEMED SOMEWHAT RELUCTANT. TO FRG SUGGESTION THAT
PETROLEUM PROJECTS BE UNDERTAKEN IN WESTERN USSR SOVIETS
COUNTERED WITH GENERAL COMMENTS ABOUT SAKHALIN. SOVIETS
DID AGREE THAT IRANIAN/SOVIET/FRG NATURAL GAS PROJECT BE
TAKEN UP IN THREE-POWER DISCUSSIONS IN NEAR FUTURE.

5. AS LAID OUT BY BAHR, NUCLEAR ENERGY PROJECT CONTEMPLATES
CONSTRUCTION OF FACILITIES IN URALS WITH REPAYMENT IN ELEC-
TRICITY. BERLIN WOULD BE INCLUDED IN POWER TRANSMISSION
ROUTE, AND PROVIDED ALSO THAT SOVIETS AGREE TO CONSTRUCTION
OF LINES AS PART OF GRID SYSTEM WHICH WOULD PERMIT SHUNTING
POWER TO POINTS OF GREATEST TEMPORARY NEED, FRG IS "OPEN TO
THE IDEA."

6. BAHR-LOSTANDOV MEETING TOUCHED UPON ATOMIC POWER AND
PETROLEUM/GAS PROJECTS THEN CONCENTRATED ON KOSTANDOV
SUGGESTION THAT FRG PUT FORWARD PROPOSALS FOR SUPPLY OF
EQUIPMENT AND TECHNOLOGY FOR LARGE AMMONIA AND METHANOL
PLANTS, TAKING PAYMENT IN PRODUCTS "FOR SEVERAL
DECADES" AFTER PLANTS COME ON STREAM. KOSTANDOV COMMENTED
THAT FRG COULD, FOR EXAMPLE, ITSELF CEASE ALL AMMONIA
PRODUCTION SINCE USSR COULD BECOME WORLD'S MAJOR PRODUCER
AND BE ABLE TO MANUFACTURE AND SUPPLY AT LOWEST POSSIBLE
COST.

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7. COMMENT: FRG REPRESENTATIVES APPEAR CONVINCED THAT
KURSK DEAL WILL BE CONCLUDED WITHOUT CONCESSIONARY FINANCING
DESPITE PREVIOUS SOVIET WARNINGS (REF A). VISIBLE DISINTEREST
OF SOVIETS IN FRG PETROLEUM DRILLING PROPOSAL REFLECTS
CURRENT LOCAL UNWILLINGNESS TO ADMIT FOREIGN PARTICIPATION
IN EXPLOITATION OF ANY OIL DEPOSITS EXCEPTING THOSE
ON PACIFIC COAST.

STOESSEL

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